

Fiscal Year
July 1, 2005 – June 30, 2006

North Hampton Deliberative Session

8:00 AM – Saturday, February 5, 2005

Compiled and Presented by Laurel Pohl, Terry Conklin
and North Hampton's Board of Selectmen

North Hampton's Board of Selectmen have recognized the need for better fiscal planning tools and for better communication of fiscal issues to the citizen's of North Hampton.

Two citizens have volunteered their time to assist the Board in achieving these goals. Terry Conklin and Laurel Pohl have compiled a fiscal analysis of the projected tax rate and of the town's financial status. In addition, Laurel has built a software tool that will help town management project the potential tax implications of everyday fiscal decisions.

What follows is a portion of the presentation that was shown at the Town Deliberative Session on February 5th using the information compiled by Terry and Laurel.

It is important that it is understood that the tax projection tool produces an **estimation** of the next fiscal year's tax rate, **not a prediction** (because approximately 10% of the tax projection uses conservatively estimated figures as a basis for it's calculations). In addition, provided with the same data, the State Department of Revenue Administration has matched the projected tax rate precisely and within 1/10th of a cent.

Topics

The North Hampton Board of Selectmen recognizes the need to present financial information that will help voters and town officials to make fiscally responsible decisions.

This presentation provides an overview of our Town's financial situation.

• Taxes 101 – How taxes are calculated and raised

• Town Financial Overview

• Why we had an 18% or \$2.33 tax increase:

- Tax Rate Analysis and Variance Breakdown
- Property Valuations
- Town and School Spending Variance
- Where the 18% increase was spent

• Projected Tax Rate for FY 05/06

• The Town Budget

• Projects that have been deferred to future years

• Budget By Department

- Police Department
- Fire Department

• Warrant Articles

• Questions and Comments

Taxes 101

<u>Property Owner</u>	<u>Assessed Value</u>		<u>Tax Bill</u>
Joe Smythe	\$190,000	/ 1,000 x 12.50 =	\$2,375
Winston Vanderbilt IV	\$3,100,000	/ 1,000 x 12.50 =	\$38,750
Maude's Diner	\$850,000	/ 1,000 x 12.50 =	\$10,625
All other Properties	\$795,860,000	/ 1,000 x 12.50 =	\$9,948,250
Total Valuation	\$800,000,000		\$10,000,000
Town Budget	\$1,100,000		
Town Warrant Articles:	\$300,000		
School Budget	\$6,800,000		
State/County Taxes	\$1,800,000	(the amount of funds that must be	
Total funds to be raised:	\$10,000,000	raised or appropriated through taxes)	
Tax Rate Per Thousand		(the amount to be appropriated	
\$10,000,000/(\$800,000,000 / 1,000)	\$12.50	/ total valuation per thousand)	

Commercial Property Owners pay the *same tax rate* as Residential Property Owners.

Commercial property is *assessed differently* than is residential property.



How we got to an 18% tax increase

Tax Rate Analysis: Variance Breakdown

	2003	2004	
Valuation Variance:			
Total Property Valuation -	913,352,500	873,508,000	
	1,000	1,000	
Calculated Denominator -	913,353	873,508	
Town Budget	4,056,947	4,056,947	
Less: Net Town Revenues	(1,844,127)	(1,844,127)	
School - Local	5,815,718	5,815,718	
School - Winnacunnet	2,107,510	2,107,510	
School - State (Donor)	447,344	447,344	
County	933,741	933,741	
Plus: Veterans Credits & Overlay	58,920	58,920	
Total Spending -	11,576,053	11,576,053	
Tax Rate	\$ 12.67	\$ 13.25	(A)
Total Rate Variance due to Valuation -	\$ 0.58	24.8%	
Spending Variance:			
Town Budget & Warrant Articles	4,056,947	5,228,280	Increase 1,171,333 29%
Less: Net Town Revenues	(1,832,206)	(2,445,122)	(612,916) 33%
School - Local: Budget & Warrant Articles	5,815,718	6,005,650	189,932 3%
School - Winnacunnet	2,107,510	2,674,352	566,842 27%
School - State (Donor)	447,344	488,280	40,936 9%
County	933,741	963,783	30,042 3%
Plus: Veterans Credits & Overlay	46,200	192,493	146,293 317%
Total Spending -	11,575,254	13,107,716	1,532,462 13%
Total Property Valuation	873,508,000	873,508,000	
	1,000	1,000	
Calculated Denominator -	873,508	873,508	
Tax Rate -	\$ 13.25	\$ 15.01	(A)
Total Rate Variance due to Spending -	\$ 1.75	75.2%	
Total Year Over Year Rate Increase -	\$ 2.33		
A Tax Rate off by \$.04 each year due to mechanics considered immaterial			

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There are two primary factors that affect the tax rate: spending and the total of all North Hampton property valuations.

If we compare last years spending over the previous year's and this year's total valuation, you can see in the first section of the chart above, that the decrease in valuation caused an increase in the tax rate of .58 cents. In other words, 24.8% of the \$2.33 tax increase is due to the change in property valuations from 2003 to 2004.

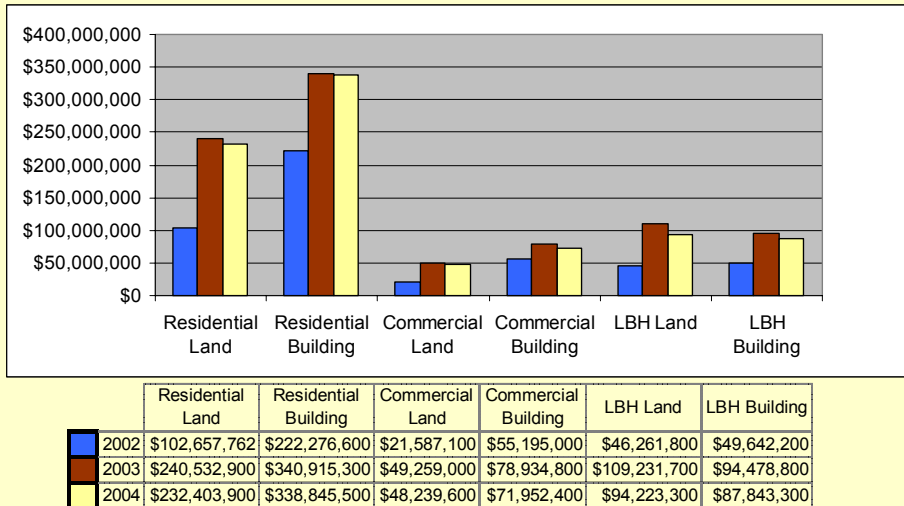
This makes sense because the \$39,844,506 drop in the total valuation means that everyone's share of the total tax burden increased.

If we compare last years spending to this year's spending over the current year's total valuation, you can see in the second section of the chart above, that the \$1,532,462 increase in spending caused an increase in the tax rate of \$1.75. In other words, 75.2% of the \$2.33 tax increase is due to a 13.24% increase in spending.

The "Increase" table on the right shows where the \$1.5M increase in spending occurred:

- 29% increase in Town budget and warrant article spending (which was offset by a 33% increase in revenues)
- 3% increase in NHS school budget and warrant article spending
- 27% increase in Winnacunnet spending
- 9% increase in the donor tax
- 3% increase in county assessments, and
- 317% increase in Veterans Credits and abatements.

Property Valuations



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An importing note about valuation: It takes a \$660,719 increase in total valuations in order to lower the tax rate by 1 cent.

Decreases in valuation have been proportionate between residential and commercial properties.

The ratio of Commercial property valuation to residential property valuation has remained relatively constant and represents roughly the same percentage of total valuations over the past three years.

LBH = Little Boars Head

Town and School Spending Variance Breakdown

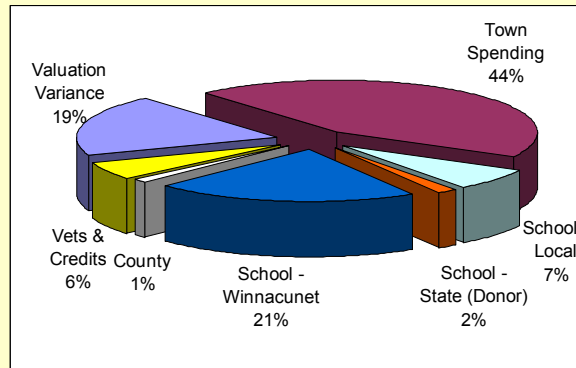
	<u>Budget Related</u>	<u>%</u>	<u>Warrant Article</u>	<u>%</u>	<u>Total</u>
Town Spending Increase	842,418	72%	328,915	28%	\$ 1,171,333
School Spending Increase	136,532	72%	53,400	28%	\$ 189,932
Total Increase	\$ 978,950	72%	\$ 382,315	28%	\$ 1,361,265
	<u>Town Warrant Articles</u>		<u>School Warrant Articles</u>		
PD Security Systems	12,000				
Salary Increases	41,415				
Partial Ambulance	122,000				
Bucket Loader	35,000				
Guard Rails	19,000				
PWD Radio Equipment	18,000				
Mower	12,000				
PD Computers	10,000				
Muni Complex Repairs	58,000				
Charity	1,500				
School Computers			41,700		
School Carpet			11,700		
Totals -	\$ 328,915		\$ 53,400		

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This slide itemizes last year's spending that was funded from *raised taxes* – it does not include \$788,000 in warrant articles that were funded from the Undesignated Fund*. The top portion of the slide indicates that, 72% of school and town spending originates from the town and school budgets, while the remaining 28% of school (\$53,400) and town (\$328,915) spending was in warrant articles.

*Warrant articles funded from the Undesignated Fund (or Reserve) do not affect the tax rate.

Components of 2004 Tax Rate Increase of 18% or \$2.33 (net)



Components		\$	%
Valuation Variance		\$ 0.58	19%
Town Spending	1,171,333	\$ 1.34	44%
School - Local	189,932	\$ 0.22	7%
School - State (Donor)	40,936	\$ 0.05	2%
School - Winnacunnet	566,842	\$ 0.65	21%
County	30,042	\$ 0.03	1%
Veterans and Other Credits	146,293	\$ 0.17	6%
Gross Spending Increase -		\$ 3.03	
Town Revenue	(612,916)	\$ (0.70)	increased revenue offset 19% of increase
Net Rate Increase -		\$ 2.33	

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In addition to town and local school budgets and town and local school warrant article spending, your taxes pay for a number of other services:

- War Service Credits - everyone else shares the tab for property tax credits given to veterans.
- Abatements - these are individual reductions in property assessments. Granting an abatement increases everyone else's share of the tax burden.
- County Assessments
- State Education (Donor) Tax
- Regional Schools (Winnacunnet High School)

This slide shows where the \$2.33 or 18% increase was spent. (It does not show the whole tax burden – just the increase).

Last year's tax increase was offset by \$612,916 of revenues. This figure is a 33% increase over the previous year. If not for this increase in offsetting revenues, last year's tax increase would have increased 24% by \$3.03.

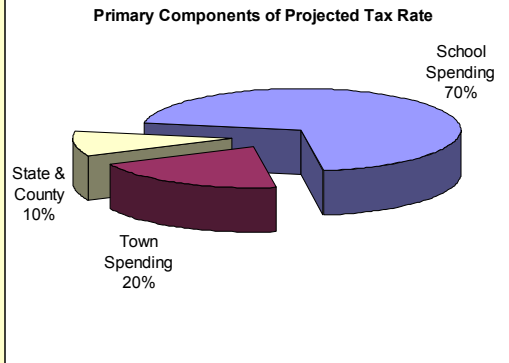


What we are projecting...

Projected Tax Rate

2005/2006 Projected Tax Rate Breakdown

School Spending:				
A North Hampton School Net Budget**	6,159,310	7.05	46.0%	
School Warrant Articles	188,084	0.22	1.4%	
Total NHS School Spending:	\$6,347,394	\$7.27	47.4%	
Winnacunnet School	3,029,292	3.47	22.6%	
Total School Spending:	\$9,376,686	\$10.73	70.0%	
Town Spending:				
B Town Net Budget**	1,949,351	2.23	14.5%	
Town Warrant Articles	544,881	0.62	4.1%	
UFB usage, Overlay & Vets Credits*	192,493	0.22	1.4%	
Total Town Spending:	\$2,686,725	\$3.08	20.0%	
State/County Spending:				
C State Education Tax	2,786,031	\$3.23	20.8%	
Adequate Education Amount	(2,408,982)	(2.76)	(18.0%)	
Donor Tax:	\$377,049	\$0.47	2.8%	
Net County Assessment*	963,783	\$1.10	7.2%	
Total State/County Spending:	\$1,340,832	\$1.58	10.0%	
Total Spending/Projected Tax Rate:	\$13,404,243	\$15.39	100.0%	
Last Year:	\$13,107,716	\$15.05		
Increase (Decrease) over last year:	296,527.00	0.34	2.2%	
Total Gross -				
School (A) & Town Budgets (B):	\$10,836,883			



* Using Fiscal Year 2004/05 figures.
 ** Offsetting revenues are estimated based on Fiscal Year 2004/05 figures
 UFB = Undesignated Fund Balance

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This slide shows an increase of 2.2% in the tax rate (\$15.39) we are projecting for next year (Fiscal Year July 1, 2005 to June 30, 2006). It is broken down into three categories of spending: Town, Educational and State/County spending.

This projection assumes that *all* budgets and articles will be approved *as proposed*. This year the school *default* budget happens to be \$19,402 higher than the *proposed* budget. Should the proposed school budget be defeated, the projected tax rate will increase by 3 cents per thousand to \$15.41.

School or Educational Spending includes the Net School Budget, School Warrant Articles, and Winnacunnet Apportionment.

Town Spending includes the Net Town Budget, Town Warrant Articles, Veterans property tax credits and anticipated abatements.

State and County Spending includes County Assessments and Donor Taxes.

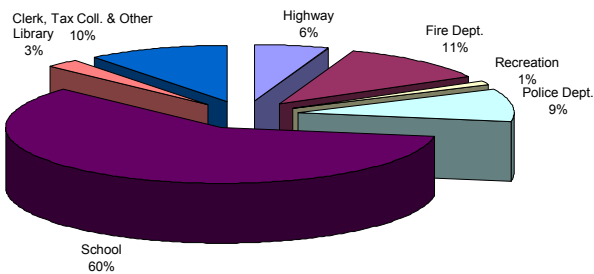


Town Budget

Budget by Department

Department	Budget 2004/05	Proposed 2005/06	Dollar Increase	% Incr.
Highway	\$ 595,189	\$ 611,006	\$ 15,817	2.7%
Fire Dept.	1,165,329	1,226,489	61,160	5.2%
Recreation	110,466	112,490	2,024	1.8%
Police Dept.	881,585	1,017,275	135,690	15.4%
School	6,235,350	6,422,410	187,060	3.0%
Library	285,984	294,990	9,006	3.1%
Clerk, Tax Coll. & Other	1,114,227	1,132,223	17,996	1.6%
Totals -	\$ 10,388,130	\$ 10,816,883	\$ 428,753	4.1%

Overall Budget Allocation

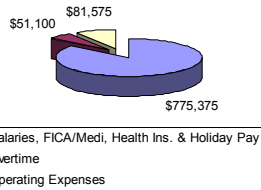


This slide shows total budgets by department -- or *where* the budgetary spending is occurring. The chart only considers the local school and Town budgets and does not include warrant article spending or any of the other components that are included in the total tax rate. Town (\$2.46 per thousand) and School (\$7.04 per thousand) budgets make up only \$9.50 out of the projected \$15.39 tax rate - with the lions share (60%) going to North Hampton School. The chart shows a 4.1% overall increase in budgetary spending.

Police Department

Total: \$908,050

**Basic Components of Original
3% Proposed Budget**

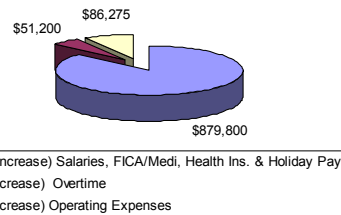


2 Additional Officers

Total: \$1,017,275

- Ratio of Officers to Population
 - Northeast Average – 3.2
 - Seacoast Average – 3.3
 - North Hampton – 2.3
 - Proposed North Hampton – 2.8
- Reallocation of Duties
 - Increased commercial activity
- Patrolman & Public Safety Issues
 - Lack of backup & coverage
 - Single patrolman during certain hours

**Basic Components of
15.39% Proposed Budget**



12% increase over Original 3% Proposed Budget

In an effort to comply with the selectmen's desire to hold all budgets to a 3% increase this year, the first graph in the upper left shows the budget as it was originally proposed to the Board of Selectmen. After consideration that:

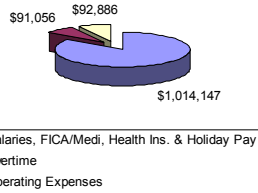
- 1) the number of policemen in this budget was well below area standards
- 2) there has been a reallocation of duties due to increased commercial activity
- 3) there is a significant risk to the patrolmen because there is only single coverage at times

The selectmen determined that it would be in the best interests of the Town to increase the number of policemen by 2 men, which correspondingly increased the Police Department's budget by 15%, or \$109,225, this year over last year as shown in the graph on the lower right.

Fire Department

Total: \$1,198,089

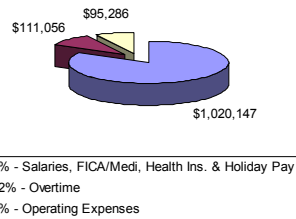
**Basic Components of Original
2.81% Proposed Budget**



Restore 6 of 12 Additional On-Call Personnel

Total: \$1,226,489

**Basic Components of
5.25% Proposed Budget**



2% Increase over Original 2.81% Proposed Budget

- On Call (Non-Employee Firemen)
 - Initially reduced from 12 to 0
 - Public safety issue
- Overtime Budget
 - Restored to maintain 3 fulltime fireman on duty 24x7

In an effort to comply with the selectmen's desire to hold all budgets to a 3% increase this year, the first graph in the upper left shows the budget as it was originally proposed to the Board of Selectmen. After consideration that:

- 1) the number of On Call (non-employee) Firemen in this budget was reduced from 12 to 0 - which the selectmen felt would create a public safety issue and
- 2) the overtime had been slashed to the point where there was not sufficient coverage

The selectmen determined that it would be in the best interests of the Town to restore 6 of the original 12 On Call Firemen, correspondingly increased the Fire Department's budget by 5.25%, or \$28,400, this year over last year as shown in the graph on the lower right.



North Hampton

Town Warrant Articles

Warrant Article 3

\$950,000 Bond Issue for Construction of Highway Garage & Salt/Sand Storage Shed

- Estimated tax impact in fiscal year 05/06 = 3¢
- First Year's interest payment: \$27,000
- Impact on tax rate will be nominal due to retirement of Police Station Bond in 2006
- Would replace current 80-year-old wooden shed-type building
- Compliance with OSHA and EPA standards
- Proper storage of valuable equipment and salt/sand
- Safe and standards-compliant working conditions for employees
- 3/5 ballot vote required to pass

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\$950,000 is an *estimate* and the project is subject to the bidding process in which the lowest qualified bidder will be awarded the contract.

This amount includes:

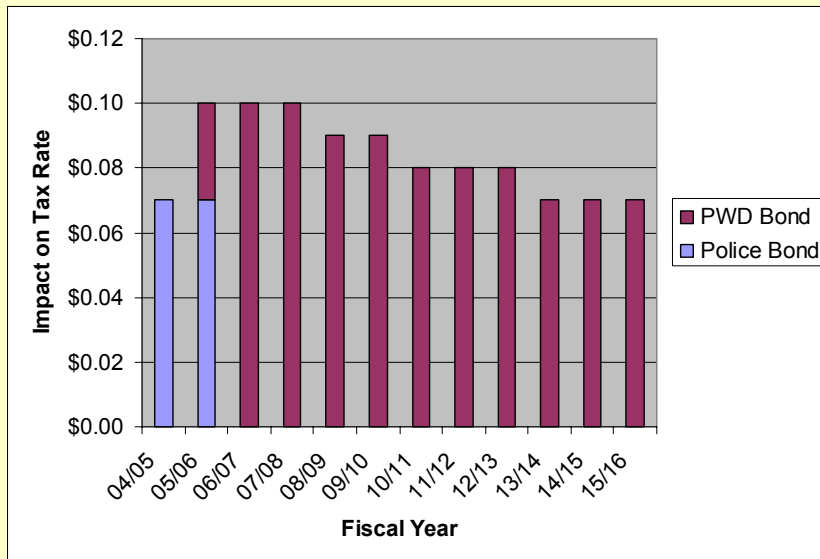
- Approximately \$350,000 for a PWD Garage building, which will include a bathroom and a kitchenette.
- Approximately \$200,000 for a sand/salt shed.
- The rest of the estimated cost includes: Site preparation, Town water hookup, a septic system, electrical power, asphalt driveway, fencing, and mechanicals (such as an oil/water separator).

Existing Highway Shed



These are pictures of the existing Highway Shed located behind the police Department. The sand/salt mixture is currently housed in the open bay behind the red truck in the picture on the lower left. As you can see there is not much shelter provided for the equipment that is stored in the open bays in the picture in the upper right hand corner.

Tax impact of Town Bonded Indebtedness



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This slide shows the impact on the tax rate of a new \$950,000, 20 year, bond for a proposed Highway garage. However, if construction of the garage costs less, then the bonded amount will also be less. Initially the estimated impact on the tax rate will be an increase of 3 cents per thousand (for a single interest payment that will be due next year) over our existing bond payments. Fortunately, the only other bond that the Town currently carries (for the construction of the Police Department) will be paid in full after next year. In subsequent years, the tax impact will be ten cents per thousand, decreasing in subsequent years and paid in full at the end of twenty years.

The bond total with interest included is \$1,366,004. The interest rate is 4.25 - for \$416,000 in total interest payments. In 8 years the impact to the tax rate is back to where we started. In Year 16 (2022) the total tax rate impact is down to 4 cents. We will have 7 years of a maximum 4 cent increase in our total debt service.

It is important to note that this calculation assumes \$873,000 in total valuation. Any increases to the aggregate property valuation will lower the tax impact per thousand.



Warrant Article 8

\$125,000 Building Maintenance Capital Reserve Fund

- Estimated tax impact: 14¢
- Make Town Hall structurally safe (160 year-old bldg.)
- Comply with American's with Disabilities Act
- On-going repair and maintenance of all Town buildings

Warrant Article 9

\$75,000 Architect/Engineering Services

- Estimated tax impact: 9¢
- Proactive vs. Reactive Facilities Planning
 - Ends band-aid planning
- Evaluate structural soundness of Town buildings
- Assess current and estimated future development needs
- Perform Geo-technical survey--soil and building information
- Produce conceptual building designs
- Project costs for needed improvements and maintenance

Warrant Article 10

\$64,000 FD Self-Contained Breathing Apparatus

- Estimated tax impact: 7¢
- Two Year Program
- Breathing protection for firefighters
- Replaces obsolete (10 to 15 year old) equipment that does not meet safety standards
- Eliminate problem of obsolete repair parts
- Includes training for two firefighters to repair and maintain equipment

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This article is for 18 new breathing units. The current units do not meet OSHA or NFPA Standards. We have applied for a 3 year "Fire Act Grant" which pays 90% toward a \$128,000 program (which we have split over the next two years).

Warrant Article 11

\$56,081 Windows Based Software for Town Administrative Offices

- Estimated tax impact: 6¢
- Tax Collection is increasingly dependent on technology to function
- Decrease costly system downtime
 - Unable to make large tax payment deposits each time the system goes down
- Enables the tax system to be networked with Town Administrative Office to integrate and consolidate Town Financial functions
- Replace 1996 DOS Software
- Replace costly and hard to find maintenance & support

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Never having been done before, we have recently completed an audit and inventory of all hardware and software and have constructed a five year replacement plan in anticipation of obsolescence of all the software and hardware

The software upgrade is critical because we are currently unable to “receipt” funds during frequent system outages.

Warrant Articles 12 & 13

\$45,000 Highway Department Dump Truck and Heavy Duty Plow

- Estimated tax impact: 5¢
- Replace 1995 Ford F350
- Trade-in will offset cost

\$35,000 Fire Department Equipment Capital Reserve Fund

- Estimated tax impact: 4¢
- Sets aside monies for future equipment needs
- Continues long standing policy of depositing ½ of Ambulance Revenues into Fire Equipment Capital Reserve fund

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The Equipment Capital Reserve Fund is currently depleted due to the purchase of \$180,000 Ambulance last year.

Warrant Article 14 & 15

\$25,800 Police Cruiser for the Police Department

- Estimated tax impact: 3¢
 - Replace older cruiser (odometer at 90,000+ miles)
 - Avoids off-warranty repair costs
-

\$25,000 Demolition of existing Highway Facility (233A Atlantic Avenue)

- Estimated tax impact: 3¢
- Environmental Cleanup
- Create Additional Parking
- Open space for future expansion
- Dependant upon the passage of Warrant Article 3

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Replacement of the Police Cruiser includes a 100,000 mile warranty.

Warrant Article 16

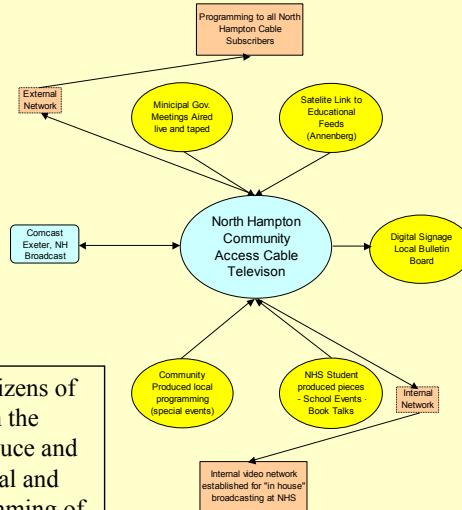
Cable Television Capital Reserve Fund

- Estimated tax impact: None
- Broadcast capability funded by cable franchise fees (estimated at \$33,000)
- Establishes a fund in which to set aside franchise fees to purchase television equipment. (estimated at \$23,000)
- Enables the televising of school events and town Board and Commission meetings
- Enables display of a community bulletin board

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A motion was made and approved at the deliberative session to amend the warrant article to authorize setting aside the full amount of the estimated franchise fees of \$33,000.

Cable Television



"To provide the citizens of North Hampton the opportunity to produce and view governmental and educational programming of interest to the community."

Developed by Brad Gregg
NHS Integration Specialist
November 2004

Warrant Article 17 & 18

\$12,000 Interior Maintenance of Police Station & build officer desks/workstations

- Estimated tax impact: 1¢
- Provides badly needed workspace for officers to complete reports and other necessary paperwork (which is currently being done in a squad car).

\$8,000 Fire Department Command Center Components

- Estimated tax impact: None. (funded from Reserve)
- Coordinate emergency activity
- Coordinate emergency personnel
- Simultaneous communication with various emergency units

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Article 17 addresses safety issues pointed out by the New Hampshire Municipal Association.

Warrant Article 20

\$55,000 Citizen's Petition for Mosquito Control

- Estimated tax impact: 6¢

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This warrant article does not include adulticiding (street spraying) and only includes larvaciding.



North Hampton Deliberative Session

Questions and Comments